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National Farmers Union Submission to the Canadian Grain Commission Consultation on Canadian Wheat Class Modernization April, 2015

The National Farmers Union (NFU) welcomes the opportunity to comment on the Canadian Grain Commission's (CGC) proposed changes to Canadian wheat classes as presented in ***Canadian wheat class modernization Consultation document, February 20, 2015*** <http://www.grainscanada.gc.ca/consultations/2015/classes-en.pdf>. The NFU urges the CGC to also consult with end-users, millers and plant breeders before making any decision regarding the wheat class framework.

The NFU is a non-partisan, nation-wide democratic organization made up of thousands of farm families from across Canada who produce a wide variety of commodities, including grains. The NFU advocates for policies designed to raise net farm incomes; promote a food system that is built on a foundation of financially-viable family farms which produce high-quality, healthy, safe food; encourage environmentally-sensitive practices that will protect our soil, water and other natural resources; and promote social and economic justice for food producers and all citizens.

NFU recommends maintaining the current framework

The NFU is satisfied with the current wheat class framework. The proposed addition of a lower-protein milling wheat class would have a negative impact on farmers, consumers, public wheat breeders and Canada's reputation in export markets. Benefits of the proposed changes would flow primarily to multinational grain companies and seed corporations based in the United States.

The problems identified in the CGC consultation document, namely consistency and marketability of Canadian Western Red Spring (CWRS) class wheat in regard to protein content and gluten strength, are not due to the limitations in wheat classes, but can be explained by other factors and solved without changing the current class parameters. As stated in the consultation document, Canada's grain quality assurance system "allows grain to be segregated according to class, type and grade, thus enabling end-users to purchase shipments of grain with predictable processing qualities."

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The question is whether unpredictable processing qualities experienced by Canadian wheat customers are due to the CWRS parameters being too wide, or if there are other causes for these concerns. Factors not related to the wheat class definitions include:

- ➔ Co-op trials have not been designed to capture the degree of climatic or weather variability that has become part of the prairie farming environment in recent years. If varieties are tested during dry years, data will not reveal reduced protein and/or reduced gluten strength that can occur in susceptible varieties when soil nitrogen levels are inadequate to support the increased growth and/or are compromised due to leaching.
- ➔ Grain shipments are less consistent due to grain companies' widespread adoption of composite loading at grain terminals, particularly when this involves larger vessels. While the whole load may provide an average protein content that meets end-user specifications, differences among holds in the vessel may be significant. If the grain company does not blend the shipment before delivering to its customers, the inconsistency may be incorrectly attributed to a problem with the class of wheat provided.
- ➔ Fungicide and/or glyphosate use during production may compromise gluten strength. This hypothesis is currently being investigated by Canadian International Grains Institute (CIGI). Fungicide use is more widespread in wet years, which may exacerbate problems with varieties that perform poorly in wet years.
- ➔ Unlike the former single desk Canadian Wheat Board, grain companies do not have access to the whole prairie crop for blending purposes and thus have less capacity to meet customer specifications. Grain companies may also wish to avoid the cost of coordinating shipments that would permit blending required to achieve the consistent quality Canada's export customers have come to expect. The lack of consistency in protein may be due more to grain company behaviour than the parameters of the wheat class.
- ➔ Grain companies have all but ceased offering farmers protein premiums since the single desk was ended. Without these premiums, farmers seek to compensate for lost income by looking for higher yielding varieties, which contributes to the popularity of Lillian and Unity.
- ➔ Climate change is making the prairies wetter in general, making it more difficult to obtain high protein crops.

There are other ways to solve the predictability of processing problems, such as:

- ➔ Use existing tools to deal with poorly performing varieties. For example, low gluten-strength varieties that have been identified (Lillian, Unity) can be deemed ineligible for grading above No. 3.



- ➔ If fungicide and/or glyphosate use is found to have an impact on gluten strength in marginal varieties, consider adding a warning to the fungicide label and/or requiring a declaration regarding fungicide and/or glyphosate use when delivering varieties with gluten strength issues.
- ➔ Reinstate inward inspection as a way to discipline grain companies that may be denying protein premiums to farmers by unjustly down-grading their grain. If farmers receive protein premiums they will have a stronger incentive to seek high protein results instead of focussing entirely on yield.
- ➔ Update co-op trial protocols to include tests that would provide data on performance under wet, low-nitrogen conditions.
- ➔ Discourage composite loading and if composite loading is used, require that vessels be certified on a hold by hold basis.

New wheat class benefits would go to grain companies, not farmers

If the proposed change to wheat classes is adopted and a new lower-protein milling class is introduced, the main beneficiaries will be US-based grain companies and US-based seed corporations. Farmers, consumers and the Canadian economy face more risks than rewards under the proposed scheme.

With the additional class, there is no guarantee farmers will be paid higher prices for CWRS class wheat.

The new lower-protein class is similar to American Dark Northern Spring Wheat. It will be harder to differentiate Canadian wheat from US wheat in the world market. Canada's comparative advantage in wheat exports has been quality. Canada's deserved reputation for quality wheat was created, built and maintained by farmers producing and delivering the grain, along with institutions such as the CGC, CIGI and the single-desk CWB that supported and safeguarded the quality of wheat delivered to customers. A shift away from quality towards quantity of production will result in farmers having higher on-farm storage costs, increased trucking and higher local taxes for road maintenance. If a new lower-protein wheat class is created, Canada's comparative advantage will be eroded and Canadian farmers will be forced to compete for market share on price alone.

Compared with other wheat exporting countries, Canada's grain growing area is distant from ports and our growing season is short, which adds to our production costs and puts our producers at a disadvantage. These costs, which are transferred to farmers via unregulated "basis" discounts charged by grain companies, reduce farmers' incomes and impairs Canada's balance of payments. Grain companies, however, have a strong incentive to promote high volume in lieu of high quality – their ability to increase revenues by selling larger quantities of lower-valued grain outweighs the marginal gain they would obtain via slightly higher prices for the same amount of higher-protein wheat. Adding a lower-quality wheat class would accelerate the process of Canadian wheat becoming an undifferentiated product.

A new lower-protein class would also open the door to more US wheat varieties becoming registered in Canada. This would crowd the space available for existing Canadian wheat varieties. Because Canada is a relatively small market for seed, this could seriously impair Canada's wheat breeding capacity, leading to domination by imported varieties and the loss of potential varieties that would have been created for Canada's specific needs and priorities.

Adding another wheat class would increase the complexity of our grain handling system, which is already stressed due to the loss of single desk CWB's coordinating role. The added class would lead to more delays, higher costs and increased basis resulting in lower returns to farmers. It may also result in grain companies collapsing CWRS varieties into the new lower-protein class as a way to simplify handling, a *de facto* elimination of our premium class.

The lower-protein milling class would serve a market that has already been developed by US-based grain companies (Cargill, Archer Daniels Midland, Bunge). These companies would be ready to capitalize on the new class, while Canadian companies (Richardson, Parrish and Heimbecker, Paterson) have built up their businesses by selling into the higher-protein markets. Adding the new class would provide a greater benefit to the US companies, potentially leading to more concentration of the grain industry in Canada via mergers and acquisitions by the US companies.

If Bill C-48 is adopted, new wheat class would cause greater harm

The NFU would also like to note further implications of the new wheat class in the event Bill C-48 is passed and its proposed amendments to the *Canada Grain Act* become law.

Bill C-48 would change how foreign grain is managed. Currently, it is identified as to country of origin, but not graded. Under C-48, foreign grain is to be called "imported grain" and given the highest grade for which it is eligible. This would then allow for mixing of Canadian grain with US-produced grain. There is no requirement that food products made with imported grain be so labelled. Bill C-48 is silent on the treatment of imported grain that is subsequently exported. If a lower-protein milling class is created; it will make it much easier to mix US Dark Northern Spring Wheat with Canadian wheat. This will dilute Canada's reputation and impair Canada's competitive position in export markets.

Conclusion

In conclusion, the National Farmers Union recommends maintaining the current wheat class parameters. The problems regarding predictable performance can be solved using other tools without adding a new wheat class. The risks to farmers and Canadian public outweigh benefits of introducing a new lower-protein milling class; the benefits of such a change would accrue primarily to grain companies and foreign seed companies. The CGC's mandate is to carry out its function in the interest of grain producers and, therefore, the proposed new lower-protein milling wheat class system should not be introduced.

